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SIPDIS

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TAGS: [ENRG](#) [EPET](#) [EINV](#) [PREL](#) [AU](#)
SUBJECT: OMV WILL LIKELY SIGN UP TO SOUTH STREAM

REF: VIENNA 518

Classified By: Economic-Political Counselor Dean Yap for reasons 1.4
(b) and (d).

Summary

¶1. (C) Minister of Economics Martin Bartenstein has confirmed Russian press reports that OMV is considering joining the South Stream project. Russian media is speculating that an intergovernmental agreement could be concluded "before the end of the European Cup soccer championships" on June 29. OMV maintained that its potential participation in South Stream will not affect its efforts to move forward with Nabucco. An OMV contact repeated what OMV CEO Wolfgang Ruttensstorfer told U/S Jeffery in March (reftel): the threat of South Stream could prod Turkey to be more cooperative in Nabucco transit negotiations. End Summary.

OMV-South Stream Could Move Quickly

¶2. (U) Minister of Economics Martin Bartenstein confirmed to Austrian media on June 9 that he had discussed the possibility of Austria's OMV joining the South Stream project with Gazprom CEO Alexei Miller and Deputy Chairman Alexander Medvedev on the margins of the recent St. Petersburg International Economic Forum. Bartenstein said that OMV, which is 31.5% controlled by the GoA, would decide whether or not to join the Russian-led project. Gazprom reportedly offered OMV a role in South Stream approximately a year ago. According to Russian press sources, Gazprom is completing a draft intergovernmental agreement to present to OMV, which could be signed "before the end of the European Cup soccer championships" on June 29.

¶3. (SBU) OMV Press Spokesman Christian Dolezal confirmed to post on June 9 OMV's willingness to participate in South Stream. Dolezal repeated Bartenstein's assertion that OMV remained committed to the Nabucco pipeline project, adding that planning and progress continue on various fronts. Dolezal maintained that "this was not new news," as OMV had expressed an interest in participating in South Stream during Alexander Medvedev's February visit to Vienna. Dolezal noted that the more concrete South Stream plans become, the more likely Turkey will agree to a transit agreement for Nabucco.

¶4. (U) Frank Umbach from the German Society for Foreign Policy (DGAP) characterized OMV's potential participation in South Stream as "a further step from the Russian side to kill Nabucco." According to Umbach, South Stream made no commercial sense, with costs being 2-3 times more expensive than Nabucco's costs. Moreover, it remained unclear where Russia would find the gas for the 30 bcm pipeline scheduled to begin operations in 2014. Claudia Komfert from the German Institute for Economic Research opined that "the two pipelines are not exclusive," stressing that Europe needed many more pipelines, and the concurrent competition, to meet

Europe's rapidly growing gas import needs.

GoA Critical of EC "Gazprom Clause"

15. (U) Bartenstein also publicly criticized the European Commission's proposal for a "Gazprom clause" in its draft energy liberalization package, which would prevent third country firms, whose governments do not offer transparent and reciprocal treatment, from buying up strategically important energy infrastructure. In Bartenstein's view, the text should not be written in a manner that calls into question already existing or future Gazprom investments, such as the 1.2 bcm Haidach gas storage facility near Salzburg operated by Austria's RAC, Germany's Wingas, and Gazprom.

Comment

16. (C) While neither OMV nor the GoA have publicly criticized South Stream, OMV has not previously acknowledged that negotiations were underway. OMV would undoubtedly welcome increased flows of Russian gas through its Baumgarten hub. However, we also take OMV at face value when the company argues that Nabucco and South Stream are not incompatible from its perspective. OMV also sees South Stream as leverage to obtain more cooperation from Ankara on Nabucco transit issues.
Kilner